

# Tractor Supply Company

**Recommendation** **BUY** ★ ★ ★ ★ ★

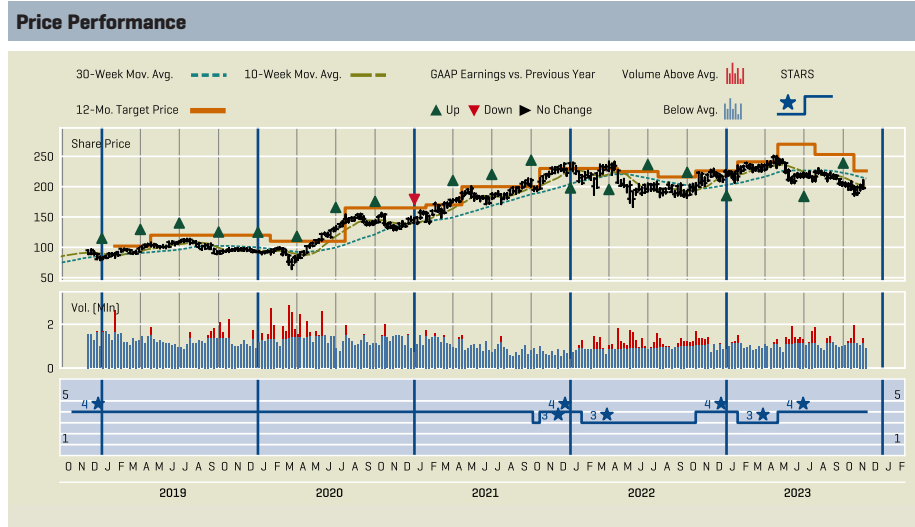
**Price** USD 198.19 (as of market close Nov 24, 2023) **12-Mo. Target Price** USD 226.00 **Report Currency** USD **Investment Style** Large-Cap Growth

**Equity Analyst** Ana Garcia

**GICS Sector** Consumer Discretionary  
**Sub-Industry** Other Specialty Retail

**Summary** This specialty retailer supplies recreational farmers, ranchers, and all those who enjoy living rural lifestyles, as well as tradesmen and small businesses.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)							
52-Wk Range	<b>USD 251.17 - 185.0</b>	Oper.EPS2023E	<b>USD 10.13</b>	Market Capitalization[B]	<b>USD 21.45</b>	Beta	<b>0.85</b>
Trailing 12-Month EPS	<b>USD 10.24</b>	Oper.EPS2024E	<b>USD 11.04</b>	Yield [%]	<b>2.08</b>	3-yr Proj. EPS CAGR[%]	<b>9</b>
Trailing 12-Month P/E	<b>19.35</b>	P/E on Oper.EPS2023E	<b>19.56</b>	Dividend Rate/Share	<b>USD 4.12</b>	SPGMI's Quality Ranking	<b>A+</b>
USD 10K Invested 5 Yrs Ago	<b>23,982.0</b>	Common Shares Outstg.[M]	<b>108.00</b>	Trailing 12-Month Dividend	<b>USD 5.04</b>	Institutional Ownership [%]	<b>99.0</b>



Source: CFRA, S&P Global Market Intelligence

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Ana Garcia on Nov 07, 2023 05:23 PM ET, when the stock traded at USD 199.19.

## Highlights

- ▶ We expect revenues to grow 3% in 2023 and 5.6% in 2024 after impressive 11.6% growth in 2022, driven primarily by store expansions and remodels, along with market share gain and pricing inflation. We see sales growth normalizing toward mid- to high-single digits heading into 2023 and 2024 as the company continues to execute its long-term strategic plan to aggressively expand its store footprint, remodel stores, and add side lots to hundreds of stores.
- ▶ We anticipate stable operating margin in the near term as TSCO opens two new distribution centers and demand normalizes for higher-margin items, while transportation costs decline and demand increases for lower-margin items. Our projection is for operating margin to be flat in 2023 and reach 10.3% in 2024, compared to 10.1% in 2022. This stems from growth in lower-margin items balancing inflationary wage pressures and softness in big-ticket items.
- ▶ TSCO continues investing heavily in growth, particularly in technology, Project Fusion, and Side Lot (its store remodeling initiative), and expanding its store count. In Q3, TSCO continued to return cash to shareholders through \$135 million in share repurchases and \$112 million in quarterly dividends.

## Investment Rationale/Risk

- ▶ Our Buy opinion reflects the view that TSCO's valuation has further upside potential as the company executes its growth plan and benefits from tailwinds such as net migration to rural areas, high pet ownership (livestock and pet products account for about 50% of sales), and supply chain improvements. The company's omni-channel business model will likely also position it well for future growth as TSCO improves its website and mobile app. In the next year, we expect TSCO's completion of Orscheln Farm and Home store conversions, along with new store openings (80 Tractor Supply and 10-15 Petsense in 2024), to reach its long-term target of 3,000 stores. We also expect resilience in demand for the majority of its product categories, outside of discretionary items (which account for about 15% of total sales).
- ▶ Risks to our opinion and target include 1) lower-than-expected comparable store sales, 2) supply chain disruptions, 3) unseasonable weather, and 4) higher competition.
- ▶ On October 26, we cut our 12-month target by \$27 to \$226, 20.5x our 2024 EPS estimate, a discount to TSCO's five-year average forward P/E of 22.1x. We lowered our 2023 EPS estimate by \$0.35 to \$10.13 and 2024's by \$0.42 to \$11.04.

## Analyst's Risk Assessment

LOW MEDIUM HIGH

Our risk assessment reflects TSCO's specialized market niche, catering to untapped rural areas and consumers with above-average incomes and a below-average cost of living, which we think differentiates TSCO from other general merchandise retailers, pet retailers, value retailers, and home center retailers. Our view is backed by structural and sustainable trends, including a post-pandemic shift in migration trends in the U.S. to rural areas and a rise in pet adoptions. Additionally, we note TSCO's pronounced sensitivity to seasonality, where unseasonable weather typically has negative impacts on the timing and volume of sales.

## Revenue/Earnings Data

Revenue (Million USD)					
	1Q	2Q	3Q	4Q	Year
2024	E 3,398	E 4,352	E 3,650	E 4,064	E 15,465
2023	3,299	4,185	3,412	E 3,906	E 14,857
2022	3,024	3,903	3,271	4,006	14,205
2021	2,792	3,602	3,018	3,319	12,731
2020	1,959	3,176	2,607	2,878	10,620
2019	1,822	2,354	1,984	2,192	8,352

Earnings Per Share (USD)					
	1Q	2Q	3Q	4Q	Year
2024	E 1.88	E 3.96	E 2.49	E 2.72	E 11.04
2023	1.65	3.83	2.33	E 2.32	E 10.13
2022	1.65	3.53	2.10	2.43	9.71
2021	1.55	3.19	1.95	1.93	8.61
2020	0.71	2.90	1.62	1.15	6.38
2019	0.63	1.80	1.04	1.21	4.68

Fiscal Year ended Dec 31. EPS Estimates based on CFRA's Operating Earnings; historical earnings are adjusted. In periods where a different currency has been reported, this has been adjusted to match the current quoted currency.

## Dividend Data

Amount (USD)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
1.0300	Nov 08	Nov 24	Nov 27	Dec 12 '23
1.0300	Aug 09	Aug 25	Aug 28	Sep 12 '23
1.0300	May 10	May 26	May 30	Jun 13 '23
1.0300	Feb 08	Feb 24	Feb 27	Mar 14 '23

Dividends have been paid since 2010. Source: Company reports

**Past performance is not an indication of future performance and should not be relied as such.**

Forecasts are not a reliable indicator of future performance.

Dividends paid in currencies other than the Trading currency have been accordingly converted for display purposes.

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# Tractor Supply Company

## Business Summary Nov 07, 2023

**CORPORATE PROFILE.** Tractor Supply Company is the largest rural lifestyle retailer in the U.S. The company focuses on supplying the needs of anyone who enjoys living the rural lifestyle. The company's target customers generally have above-average income and below-average cost of living. Its business is very seasonal primarily due to weather conditions, with sales and its bottom line highest in the second and fourth quarter. During the spring and summer, if weather is abnormally cool, it negatively affects earnings since potential customers are disincentivized to shop for outdoor products. The same is true when the weather is abnormally warm in the fall and winter. In 2022, the company operated 2,333 retail stores in 49 states, which include Tractor Supply [2,066 retail stores in 2022], Petsense [186], and Orscheln Farm and Home [81].

The company has one reportable segment, which is the retail sale of products that support the rural lifestyle. The company offers its customer a wide range of products, with 17,000-23,000 products available per the Tractor Supply store along with 250,000 products online. No single product or vendor accounted for more than 10% of the company's sales or purchases for 2022. The major product categories include equine, livestock, pet, hardware, truck, towing, seasonal products, apparel, and maintenance products. Approximately 400 core vendors accounted for 90% of the company's merchandise. The company also offers exclusive brands which account for 30% of its sales, excluding Orscheln Farm and Home. The exclusive brands include 4health (pet foods and supplies), Producer's Pride (livestock and horse feed and supplies), American Farmworks (livestock, farm and ranch equipment), Red Shed (gifts, collectibles, and outdoor furniture), Bit & Bridle (apparel and footwear), Redstone (heating products), Blue Mountain (apparel), Retriever (pet foods and supplies), C.E. Schmidt (apparel and footwear), Ridgecut (apparel), Countyline (livestock, farm and ranch equipment), Royal Wing (bird feed and supplies), Dumor (livestock and horse feed and supplies), Strive (pet food), Groundwork (lawn and garden supplies), Traveller (truck and automotive products), Huskee (outdoor power equipment), Treeline (hunting gear and accessories), JobSmart (tools), TSC Tractor Supply Co (trailers, truck tool boxes, and animal bedding), Paws & Claws (pet foods and supplies), and Untamed (pet foods).

**CORPORATE STRATEGY.** The company's strategy is to continue offering a wide assortment of products to its core customers in the niche rural lifestyle market along with an exceptional shopping experience. The company has done this by focusing on its enhanced omni-channel shopping experience, which includes engaging its customers through its in-store, e-commerce websites, and mobile application. The company has also enhanced the shopping experience for its customers through its buy online and pickup in-store, ship to store capabilities for drive-thru pick up, Neighbor's Club loyalty program, and its Customer Solutions Center.

Tractor Supply Company also believes that, given the size of the communities that it targets, there is ample opportunity for new store growth in many existing and new markets. As a result, the company opened 63 new Tractor Supply stores and 9 Petsense stores in 2022, and also acquired 81 Orscheln Farm and Home stores. In 2023, TSCO plans to open approximately 70 Tractor Supply stores, along with conversions of Orscheln Farm and Home retail stores to Tractor Supply retail stores. Additionally, TSCO plans to continue its Project Fusion remodels and garden center transformations, and open 10-15 new Petsense retail stores.

**MAJOR DEVELOPMENTS.** On October 12, 2022, TSCO received FTC clearance to close its acquisition of Orscheln Farm and Home, a farm and ranch retailer with 166 retail stores. TSCO acquired a net 81 stores and divested the remaining 85 stores to two buyers approved by the FTC. The net purchase price of the 81 stores acquired and retained was approximately \$238 million before working capital adjustments. The acquisition is anticipated to generate an estimated future tax benefit of approximately \$20 million.

**COMPETITIVE LANDSCAPE.** Tractor Supply Company competes in a competitive retail industry that is highly fragmented, but differentiates itself by focusing on its specialized niche market for customers in the rural lifestyle segment. The company's competitors include general merchandise retailers, home center retailers, pet retailers, specialty and discount retailers, independently owned retail farm and ranch stores, regional farm store chains, and farm cooperatives, as well as internet-based retailers.

**FINANCIAL TRENDS.** In 2022, the company's five-year net sales CAGR was 14.38% and net sales increased to \$14.20 billion from \$12.73 billion in 2021. TSCO's comparable store sales growth increased 6.3% in 2022, lower than the 16.9% increase in 2021, but the company continued to gain market share across product categories.

The company's operating income increased to \$1.43 billion in 2022 from \$1.31 billion in 2021. However, the operating margin decreased to 10.10% from 10.27% over the respective period, mainly due to negative mix, inflationary pressures, and costs associated with its recent acquisition of Orscheln Farm and Home.

In terms of the company's balance sheet, the company's leverage and liquidity weakened over the past year. The company's total debt to capital and net debt to EBITDA increased to 70.2% and 2.0x, respectively, in Q3 2023 from 67.6% and 1.9x in Q3 2022. The company's current ratio was flat at 1.5x, and the quick ratio ticked up slightly to 0.2x from 0.1x.

## Corporate information

### Investor contact

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### Office

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### Telephone

615 440 4000

### Fax

N/A

### Website

www.tractorsupply.com

### Officers

**Executive VP, CFO & Treasurer**

K. D. Barton

**President, CEO & Director**

H. A. Lawton

**Independent Chairman**

E. K. Morris

**Executive VP and Chief Technology, Digital Commerce & Strategy Officer**

R. D. Mills

**Senior VP, General Counsel & Corporate Secretary**

N. L. Ellison

### Board Members

A. J. Hawaux

D. L. Jackson

E. K. Morris

H. A. Lawton

J. H. Scarlett

J. T. Brown

M. J. Weikel

M. M. Ham

R. Cardenas

R. Krishnan

### Domicile

Delaware

### Auditor

Ernst & Young LLP

### Founded

1938

### Employees

36,500

### Stockholders

761

## Tractor Supply Company

Quantitative Evaluations					Expanded Ratio Analysis						
Fair Value Rank	1	2	3	4	5						
	LOWEST <span style="float:right">HIGHEST</span>										
Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].											
Fair Value Calculation	USD	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that TSCO is overvalued by USD 2.32 or 1.17%									
Fair Value	<b>195.87</b>										
Volatility	LOW	AVERAGE	HIGH								
Technical Evaluation	<b>BULLISH</b>	Since August, 2023, the technical indicators for TSCO have been BULLISH"									
Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE								
					Key Growth Rates and Averages						
					Past Growth Rate [%]			1 Year	3 Years	5 Years	
					Net Income				9.19	24.63	20.84
					Sales				11.57	19.37	14.38
					Ratio Analysis [Annual Avg.]						
					Net Margin [%]				7.66	7.52	7.20
					% LT Debt to Capitalization				18.44	17.70	16.14
					Return on Equity [%]				53.83	49.18	43.84

Company Financials Fiscal year ending Dec 31										
Per Share Data [USD]	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Tangible Book Value	16.23	17.21	16.07	12.21	11.80	10.33	10.15	10.30	9.41	8.85
Free Cash Flow	5.24	4.45	9.46	4.96	3.39	2.99	3.20	1.62	1.80	0.83
Earnings	9.71	8.61	6.38	4.66	4.31	3.30	3.27	3.00	2.66	2.32
Earnings [Normalized]	9.71	8.61	6.87	4.68	4.31	3.33	3.27	3.00	2.66	2.32
Dividends	3.68	2.08	1.50	1.36	1.20	1.05	0.92	0.76	0.61	0.49
Payout Ratio [%]	37.62	23.97	23.32	28.93	27.63	31.67	27.97	25.12	22.66	20.86
Prices: High	241.54	238.28	157.07	114.25	97.65	78.25	97.25	96.28	79.14	77.00
Prices: Low	166.49	138.14	63.89	80.31	58.27	49.87	61.50	74.52	55.95	42.92
P/E Ratio: High	24.90	27.70	22.90	24.40	22.70	23.50	29.70	32.10	29.80	33.20
P/E Ratio: Low	17.10	16.00	9.30	17.20	13.50	15.00	18.80	24.80	21.00	18.50
Income Statement Analysis [Million USD]										
Revenue	14,205	12,731	10,620	8,352	7,911	7,256	6,780	6,227	5,712	5,165
Operating Income	1,435	1,307	1,071	743.00	702.00	686.00	694.00	651.00	589.00	515.00
Depreciation + Amortization	343.00	270.00	217.00	196.00	177.00	166.00	143.00	124.00	115.00	100.00
Interest Expense	31.00	27.00	29.00	20.00	18.00	14.00	6.00	3.00	2.00	1.00
Pretax Income	1,404	1,280	968.00	723.00	683.00	673.00	688.00	648.00	588.00	514.00
Effective Tax Rate	22.50	22.10	22.60	22.30	22.10	37.20	36.50	36.60	36.90	36.20
Net Income	1,089	997.00	749.00	562.00	532.00	423.00	437.00	410.00	371.00	328.00
Net Income [Normalized]	877.70	800.10	651.40	452.10	427.10	420.30	430.20	404.80	367.20	321.30
Balance Sheet and Other Financial Data [Million USD]										
Cash	203.00	878.00	1,342	85.00	89.00	110.00	54.00	64.00	51.00	143.00
Current Assets	3,158	3,250	3,259	1,788	1,794	1,655	1,518	1,439	1,274	1,209
Total Assets	8,490	7,768	7,049	5,289	3,085	2,869	2,675	2,371	2,035	1,903
Current Liabilities	2,376	2,065	1,744	1,248	938.00	849.00	777.00	671.00	603.00	532.00
Long Term Debt	1,164	986.00	984.00	367.00	381.00	401.00	264.00	150.00	N/A	N/A
Total Capital	6,313	5,922	5,465	4,277	2,002	1,881	1,755	1,561	1,299	1,248
Capital Expenditures	773.00	628.00	294.00	217.00	279.00	250.00	226.00	236.00	161.00	218.00
Cash from Operations	1,357	1,139	1,395	812.00	694.00	631.00	651.00	456.00	409.00	334.00
Current Ratio	1.33	1.57	1.87	1.43	1.91	1.95	1.95	2.14	2.11	2.27
% Long Term Debt of Capitalization	18.40	16.70	18.00	8.60	19.00	21.30	15.00	9.60	N/A	N/A
% Net Income of Revenue	7.70	7.80	7.10	6.70	6.70	5.80	6.40	6.60	6.50	6.40
% Return on Assets	11.03	11.02	10.85	11.09	14.73	15.48	17.19	18.46	18.71	17.82
% Return on Equity	53.80	50.80	42.90	35.90	35.70	29.40	30.70	30.50	29.20	28.90

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

# Tractor Supply Company

## Sub-Industry Outlook

Our 12-month outlook for the other specialty retail sub-industry is positive, despite some challenges. We expect consumer pullback and trade-down behavior, as well as lingering inflationary pressures, particularly related to wages, which may impact sales growth and margins. Despite this, we foresee positive same-store sales growth driven by higher pricing and average ticket, partially offset by lower order counts for most companies. In our view, certain companies, especially those catering to value consumers and with favorable demand dynamics, are well positioned to meet or exceed consensus estimates and potentially raise their guidance for 2023 and 2024. This is due to macroeconomic factors that are likely to strain the average consumer's budget, such as high interest rates, diminishing savings, core inflation, and the end of the student loan moratorium.

Nevertheless, most specialty retailers are expected to maintain relatively solid sales growth due to the low unemployment rate, increased store counts, and more promotional activity. Additionally, we anticipate inflationary pressures, apart from wage inflation, as likely to ease further in 2023 and early 2024.

In the other specialty retail sub-industry, many retailers rely on expanding their store footprint to boost revenue, gain market share, and improve margins. This strategy is expected to become even more important over the next 12 months, as several retailers may face traffic growth challenges, leading to negative impacts on their same-store sales growth given the pressure on consumers mentioned earlier. In 2022, numerous specialty retailers resumed their pre-pandemic plans to open new stores across the United States, and many are now experiencing fewer construction delays. As a result, capital expenditures are projected to remain positive and robust in 2023 as these retailers continue to open new stores to enhance revenues and market share.

To mitigate potential challenges, such as inventory shrinkage, staffing issues, and softness in traffic

and order count, many specialty retailers have implemented various initiatives. These include offering curbside pick-up, buy online pick-up in-store (BOPIS), and one- or two-day delivery options to boost consumer demand. Additionally, retailers have undergone store remodels, established new distribution centers, initiated credit card partnerships, expanded assortments, and invested in technology to enhance their websites and mobile applications. Many have also improved labor-related practices and implemented more robust security measures to reduce inventory shrinkage.

Despite these efforts, we still expect continued margin pressure from higher costs associated with retaining workers and inventory shrinkage due to a tight labor market and high inflation. However, we believe that operating margins for the sub-industry will compress less compared to other retailer sub-industries, thanks to strong new store growth, economies of scale, and products with favorable demand dynamics for many retailers within the other specialty retail sub-industry.

Through October 27, 2023, the S&P 1500 Other Specialty Retail Index was down 19.6% versus a gain of 15.4% for the S&P 1500 Consumer Discretionary Index and 6.2% for the S&P 1500 Index. In 2022, the S&P 1500 Other Specialty Retail Index was down 8.5% versus a drop of 36.3% for the S&P 1500 Consumer Discretionary Index and a 19.1% drop for the S&P 1500 Index.

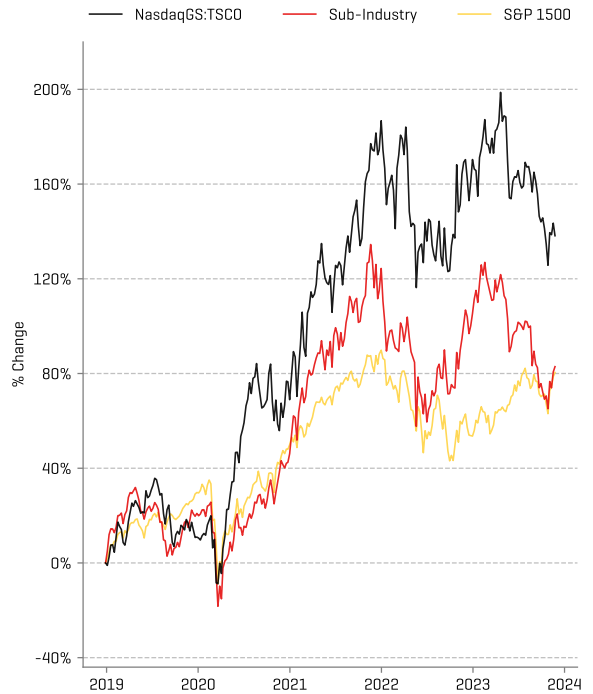
/ Ana Garcia

## Industry Performance

**GICS Sector: Consumer Discretionary**  
**Sub-Industry: Other Specialty Retail**

Based on S&P 1500 Indexes

Five-Year market price performance through Nov 25, 2023



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: CFRA, S&P Global Market Intelligence

## Sub-Industry: Other Specialty Retail Peer Group\*: Other Specialty Retail

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. [M]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Fair Value Calc.	Yield [%]	Return on Equity [%]	LTD to Cap [%]
<b>Tractor Supply Company</b>	<b>TSCO</b>	<b>NasdaqGS</b>	<b>USD</b>	<b>198.44</b>	<b>21,454.0</b>	<b>0.1</b>	<b>-11.2</b>	<b>19.0</b>	<b>195.87</b>	<b>2.1</b>	<b>55.8</b>	<b>24.4</b>
Academy Sports and Outdoors, Inc.	ASO	NasdaqGS	USD	48.41	3,608.0	10.6	-4.7	7.0	N/A	0.7	33.2	16.7
Bath & Body Works, Inc.	BBWI	NYSE	USD	29.61	6,733.0	0.2	-28.2	9.0	N/A	2.7	-30.7	125.4
Chewy, Inc.	CHWY	NYSE	USD	20.45	8,817.0	21.4	-50.2	72.0	37.76	N/A	20.6	N/A
DICK'S Sporting Goods, Inc.	DKS	NYSE	USD	121.79	9,956.0	15.0	3.4	10.0	123.17	3.3	41.4	22.4
Five Below, Inc.	FIVE	NasdaqGS	USD	191.00	10,636.0	8.6	19.6	39.0	191.40	N/A	20.9	N/A
National Vision Holdings, Inc.	EYE	NasdaqGS	USD	19.50	1,526.0	23.4	-51.6	NM	N/A	N/A	-6.8	29.3
Signet Jewelers Limited	SIG	NYSE	USD	81.78	3,671.0	13.5	25.7	9.0	40.89	1.1	22.7	N/A
The ODP Corporation	ODP	NasdaqGS	USD	48.61	1,817.0	9.9	3.1	9.0	45.67	N/A	16.0	7.8
Ulta Beauty, Inc.	ULTA	NasdaqGS	USD	409.49	20,159.0	9.8	-9.0	16.0	629.12	N/A	66.1	N/A
Winmark Corporation	WINA	NasdaqGM	USD	437.64	1,526.0	8.8	78.3	39.0	N/A	0.7	-85.6	165.1

\*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available; NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

# Tractor Supply Company

## Analyst Research Notes and other Company News

### October 26, 2023

06:05 PM ET... CFRA Keeps Buy Opinion on Shares of Tractor Supply Company (TSCO 189.66\*\*\*\*):

We cut our 12-month target by \$27 to \$226, 20.5x our 2024 EPS of \$11.04 (down \$0.42; 2023 down \$0.35 to \$10.13), a discount to the 22.1x, five-year forward P/E average. Q3 adj-EPS of \$2.33 beat by \$0.04 on revenue of \$3.4B, 2% below consensus. Unfavorable weather and cautious consumers drove revenue headwinds resulting in a second revenue and EPS guide call down. Operating margin of 10% (+60 bps Y/Y) yielded from gross margin of 36.7% (+100 bps Y/Y) offset by a 40 bps increase in SGA margin. Despite the tough macro and weather, TSCO continues building a strong foundation evidenced by active, reactivated, and new customer counts growing in the quarter. TSCO accomplished share gains both online and in-store with high-single-digit e-commerce growth, surpassing \$1B in sales.

Preliminary 2024 capital expense projection of \$600M is partly offset by planned sale-leaseback transactions of 15 stores. TSCO remains bullish on its expansion with 80 Tractor Supply stores and 15 Petsense location openings planned in 2024. / Ana Garcia

### October 23, 2023

03:29 PM ET... CFRA Adds Tractor Supply to the High-Quality Capital Appreciation Portfolio (TSCO 198.18\*\*\*\*):

We are adding Tractor Supply Company (TSCO) to the portfolio as we believe TSCO's valuation has meaningful upside as the company continues to embark on its growth strategy, enjoying long-term advantages such as demographic shifts to rural areas. Our positive outlook is buoyed by TSCO's escalated long-term store target (+200). An increase in store launches (+10 in 2024 and 2025), is accompanied by elevated capital expenditures, which is expected to be counterbalanced by the introduction of a new sale-leaseback initiative. In addition, high levels of domestic pet ownership, an omni-channel approach, and digital platform enhancements should help propel TSCO's future growth. TSCO will replace The Procter & Gamble Company (PG 148 \*\*\*) , which was downgraded to a Hold recommendation. / Keith Snyder

### July 27, 2023

05:48 PM ET... CFRA Keeps Buy Opinion on Shares of Tractor Supply Company (TSCO 223.59\*\*\*\*):

We cut our 12-month target price by \$17 to \$253, 22.1x our 2024 EPS, in line with TSCO's five-year average forward P/E. We lower our 2023 EPS estimate to \$10.48 from \$10.51 and 2024's to \$11.46 from \$11.62. TSCO posted Q2 adj-EPS of \$3.83, \$0.09 below consensus. Revenue of \$4,185M (+7.2% Y/Y) was \$11M below consensus. Operating income grew by 6.5% to \$559M, with margin contracting 10 bps Y/Y to 13.5% vs. 13.4% consensus. Comp sales grew 2.5% vs. 3.9% consensus, driven by higher pricing and transactions, partly offset by lower average ticket. TSCO noted further consumer pullback on discretionary purchases, order counts, and seasonal items. As a result, 2023 guidance was lowered for both the top and bottom line. However, we remain optimistic due to potential share gains in value items, loyalty program changes, more favorable weather, along with TSCO's higher long-term target of stores (+200). We also note a step-up in openings (+10 in 2024 and 2025), with higher capex, offset by a new sale-leaseback program. / Siye Desta, CFA

### May 01, 2023

12:08 AM ET... CFRA Raises Opinion on Shares of Tractor Supply Company to Buy from Hold (TSCO 238.40\*\*\*\*):

We raise our 12-month target to \$270 from \$241, 23.2x our 2024 EPS, a slight premium to TSCO's five-year average forward P/E, justified by potential market share gains, improvements in distribution, and recent migration trends in the U.S. We lower our 2023 EPS estimate to \$10.51 from \$10.57 and raise 2024's to \$11.62 from \$11.52. TSCO posts Q1 EPS of \$1.65, \$0.06 below consensus. Revenue of \$3,299M (+9.1% Y/Y) was \$11M below consensus. Operating income grew 0.1% to \$244M, margin contracted 70 bps to 7.4% vs 7.8% consensus. Comp store sales grew 2.1% vs 4.29% consensus (200 bps negative impact from seasonality). Despite the bad weather, we think TSCO made notable strides over the quarter. The ramp-up of its ninth distribution center improved margins and will reduce transportation costs and improve capacity. TSCO also plans to pilot new category launches related to home and sporting goods. The resilience of net migration to rural areas, based on recent ACS data, also suggests potential upside to sales growth. / Siye Desta, CFA

### January 27, 2023

12:18 AM ET... CFRA Lowers Opinion on Shares of Tractor Supply Company to Hold

from Buy (TSCO 226.72\*\*\*):

We lift our 12-month target by \$15 to \$241, 23x our 2023 EPS, in line with TSCO's 3-year average forward P/E. We raise our 2023 EPS to \$10.57 from \$10.51 and initiate 2024 EPS at \$11.52. TSCO posts Q4 EPS of \$2.43, \$0.08 above consensus. Revenue of \$4,006M (20.7% Y/Y) was \$124M above consensus. Comp store sales grew 8.6% vs. 6.1% consensus, with ticket growth up 6.3%, on price inflation of 11%, and transaction count up 2.3%, partly due to the 53rd week (5.6% of Q4 sales) and favorable weather. Operating income grew 22.6% Y/Y, with margin expanding 14 bps Y/Y to 8.97% vs. 8.94% consensus. We remain constructive on TSCO's long-term prospects, given its strong growth strategy execution and continued market share gains, especially in its year-round categories. However, in the near term, we see limited upside in the share price solely due to valuation. Additionally, we expect TSCO will face margin pressure in Q1 due to its investment in new distribution centers, a shift in sales mix, and transportation costs. / Siye Desta,CFA

### October 21, 2022

10:41 AM ET... CFRA Raises Opinion on Shares of Tractor Supply Company to Buy from Hold (TSCO 195.59\*\*\*\*):

We raise our 12-month target by \$10 to \$226, 21.5x our 2023 EPS and in line TSCO's five-year average forward P/E. We raise our 2022 EPS by \$0.01 to \$9.62 and 2023's to \$10.51 from \$10.10. TSCO posts Q3 EPS of \$2.10, \$0.03 above consensus. Revenue of \$3,271M (8.4% Y/Y) was in line with consensus. TSCO saw strong comparable store sales growth (5.7% vs. 5.4% consensus), driven by ticket growth of 7.0%, as transaction count fell 1.3%, partly due to unfavorable weather. TSCO raised its 2022 sales guidance range by \$90M, but lowered its operating margin forecast due to CUE products and costs associated with its recent acquisition of Orscheln Farm & Home. While Q3 operating margin contracted 50 bps Y/Y to 9.37%, mainly due to negative mix and inflation, we're optimistic that margins can recover, especially as TSCO renegotiates new longer-term supply chain contracts. Moreover, TSCO's store remodels, digital push, VISA partnership, Orscheln acquisition, and market share gain in CUE products should be accretive to EPS. / Siye Desta, CFA

### July 25, 2022

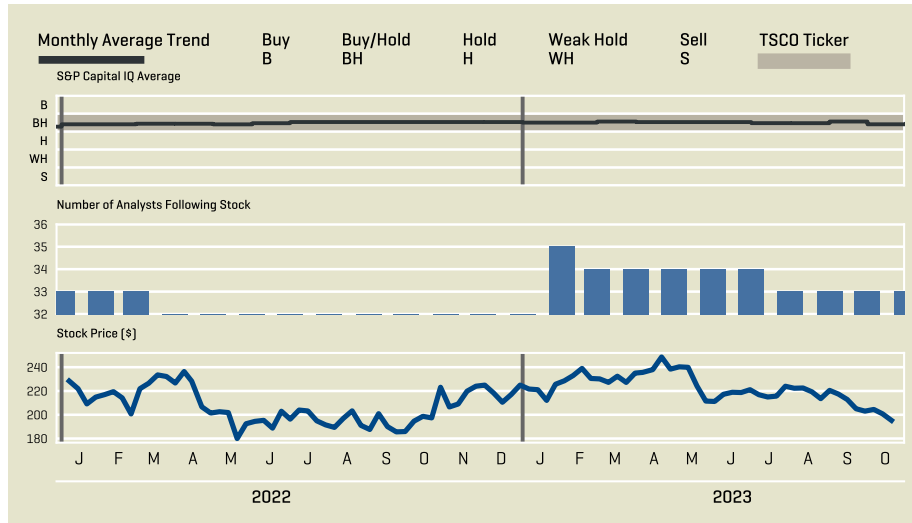
12:34 PM ET... CFRA Keeps Hold Opinion on Shares of Tractor Supply Company (TSCO 194.89\*\*\*):

We lower our 12-month target by \$9 to \$216, 21.4x our '23 EPS of \$10.10 (lowered from \$11.00; '22 lowered to \$9.61 from \$9.90), which is in line with TSCO's five-year forward P/E. Q2 EPS of \$3.53 (+11% Y/Y) beat by a penny on revenue of 3,903M (+8% Y/Y), \$10M above consensus. The beat was driven by comparable store sales growth (+5.5%), due to ticket growth (+7.5%) despite a lower transaction count (-2.0%), while gross margins fell 23.4 bps due to cost inflation, transportation costs, and a shift in product mix. TSCO raised its 2022 sales guidance range by \$300M and reaffirmed operating margins of 10.2%. While TSCO's Q2 results and guidance were positive and we remain constructive on its long-term fundamentals, concerns of recession and the impact of higher inflation persist. We maintain a Hold rating, given the inability to ignore the negative impacts of inflation, which is not only resulting in higher costs, but also starting to negatively impact consumer spending, particularly among lower-income customers. / Siye Desta

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

# Tractor Supply Company

## Analysts Recommendations



	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	13	39	12	14
Buy/Hold	4	12	5	4
Hold	15	45	15	15
Weak hold	0	0	0	0
Sell	0	0	0	0
No Opinion	1	3	1	0
Total	33	100	33	33

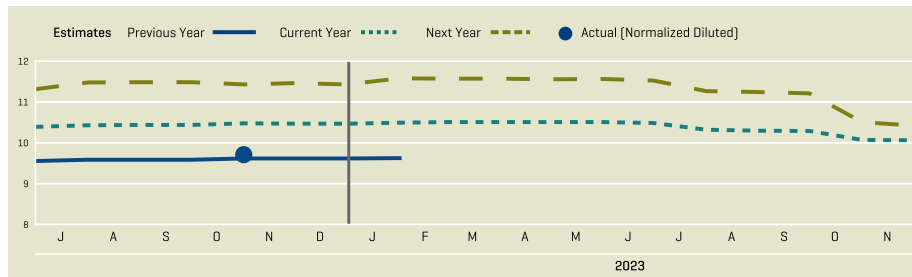
## Wall Street Consensus Opinion

**Buy/Hold**

### Wall Street Consensus vs. Performance

For fiscal year 2023, analysts estimate that TSCO will earn USD 10.06. For fiscal year 2024, analysts estimate that TSCO's earnings per share will grow by 3.56% to USD 10.42.

## Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2024	10.42	10.92	9.80	30	19.04
2023	10.06	10.50	10.00	31	19.72
<b>2024 vs. 2023</b>	<b>▲ 4%</b>	<b>▲ 4%</b>	<b>▼ -2%</b>	<b>▼ -3%</b>	<b>▼ -3%</b>
Q4'24	2.46	2.81	2.20	17	80.68
Q4'23	2.24	2.42	2.18	29	88.58
<b>Q4'24 vs. Q4'23</b>	<b>▲ 10%</b>	<b>▲ 16%</b>	<b>▲ 1%</b>	<b>▼ -41%</b>	<b>▼ -9%</b>

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

**Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.**

# Tractor Supply Company

## Glossary

### STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs [American Depositary Receipts], and ADSs [American Depositary Shares] based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark [e.g., a regional index (MSCI AC Asia Pacific Index, MSCI AC Europe Index or S&P 500® Index)], based on a 12-month time horizon. STARS was designed to help investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

### S&P Global Market Intelligence's Quality Ranking

[also known as **S&P Capital IQ Earnings & Dividend Rankings**] - Growth and S&P Capital IQ Earnings & Dividend Rankings stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A	Above	C	Lowest
B+	Average	D	In Reorganization
NC	Not Ranked		

### EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus [average] EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

### 12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

### Abbreviations Used in Equity Research Reports

CAGR	- Compound Annual Growth Rate
CAPEX	- Capital Expenditures
CY	- Calendar Year
DCF	- Discounted Cash Flow
DDM	- Dividend Discount Model
EBIT	- Earnings Before Interest and Taxes
EBITDA	- Earnings Before Interest, Taxes, Depreciation & Amortization
EPS	- Earnings Per Share
EV	- Enterprise Value
FCF	- Free Cash Flow
FFO	- Funds From Operations
FY	- Fiscal Year
P/E	- Price/Earnings
P/NAV	- Price to Net Asset Value
PEG Ratio	- P/E-to-Growth Ratio
PV	- Present Value
R&D	- Research & Development
ROCE	- Return on Capital Employed
ROE	- Return on Equity
ROI	- Return on Investment
ROIC	- Return on Invested Capital
ROA	- Return on Assets
SG&A	- Selling, General & Administrative Expenses
SOTP	- Sum-of-The-Parts
WACC	- Weighted Average Cost of Capital

**Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).**

### Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

### STARS Ranking system and definition:

#### ★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★★ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months.

#### ★★★ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months.

#### ★★★ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months.

#### ★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

### Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the MSCI AC Europe Index and the MSCI AC Asia Pacific Index, respectively.

# Tractor Supply Company

## Disclosures

Stocks are ranked in accordance with the following ranking methodologies:

### STARS Stock Reports:

Qualitative STARS rankings are determined and assigned by equity analysts. For reports containing STARS rankings refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

### Quantitative Stock Reports:

Quantitative rankings are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative rankings refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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### STARS Stock Reports:

Global STARS Distribution as of September 30, 2023

Ranking	North America	Europe	Asia	Global
Buy	36.8%	34.5%	41.6%	37.4%
Hold	53.8%	51.2%	50.3%	52.6%
Sell	9.4%	14.3%	8.1%	10.1%
Total	100.0%	100.0%	100.0%	100.0%

### Analyst Certification:

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## Tractor Supply Company

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